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March 27, 1984

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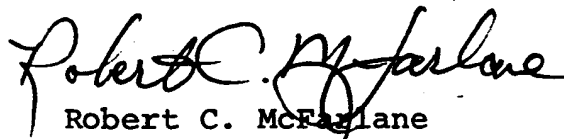
MEMORANDUM FOR THE VICE PRESIDENT

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF COMMERCE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
UNITED STATES REPRESENTATIVE TO THE
UNITED NATIONS
THE CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: National Security Decision Directive (NSDD-134)
on United States International Energy Policy
(S)

The attached National Security Decision Directive establishes
certain U.S. international energy policy goals and objectives.
(S)

FOR THE PRESIDENT:


Robert C. McFarlane

Attachment
NSDD-134

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WASHINGTON

March 27, 1984

NATIONAL SECURITY DECISION
DIRECTIVE NUMBER 134United States International Energy Policy Goals and Objectives (S)

This Directive outlines certain U.S. international energy policy goals. It is designed to supplement policy guidance included in National Security Decision Directive Number 87. Because it is desirable to maintain flexibility in order to be able to tailor specific responses to the situation, only broad guidelines will be presented. (S)

I. Certain U.S. International Energy Policy Goals

The best policy to guarantee the continued flow of oil from the Persian Gulf in the near term is to ensure, along with our allies and countries in the area, freedom of navigation in the Persian Gulf and the Strait of Hormuz, as well as protection of key oil production and transshipment facilities; and over the longer term to favor increasing the number of alternative outlets for Persian Gulf crude. (S)

The international energy policy of the U.S. concerning major oil supply disruptions is based upon four fundamental principles:

- o Primary reliance on free market forces.
- o Support for measures to enhance energy supplies in an emergency.
- o Provision of energy supplies for defense and broader national security purposes under all circumstances.
- o International cooperation with other energy consuming countries through the International Energy Agreement (IEA) and other mechanisms to reduce panic, minimize economic dislocations and assure that the U.S. and its allies do not suffer unacceptable harm as a result of an oil supply shortfall.
(S)

Since the U.S. cannot escape the economic and geopolitical consequences of a major oil supply disruption, we must be prepared to deal with such a situation on a cooperative basis with our allies. It is recognized, therefore, that some flexibility is needed in developing an international response to an energy disruption. Different countries have different economic and political environments, as well as different

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capabilities to respond to a supply interruption. U.S. policy should strive to obtain commitments from our allies to policies that will fairly share the burden and reduce the adverse impacts of a major oil supply disruption by means which accommodate the respective approaches of the U.S. and its allies. (S)

II. Implementation of U.S. International Policy Goals

Representatives of the U.S. should immediately begin to discuss with our allies on a bilateral basis and within the IEA the nature of the problem and appropriate responses which tailor each country's commitment to its capabilities. For the U.S. this means primary reliance on free market forces and the Strategic Petroleum Reserve (SPR). While we must remain flexible in order to be able to adapt to circumstances, the SPR can be a valuable U.S. tool to offset a world supply shortfall. In most circumstances, an early draw of SPR oil in large volumes will be our best policy to offset the economic impact of a major disruption. (S)

In order to establish an effective public information strategy in support of U.S. international energy policy, I direct the Department of State and the Department of Energy to work together to create expeditiously a framework for the dissemination of accurate information on international oil market conditions and to create public understanding of the fact that -- owing to the integrated nature of the world oil market -- a major disruption and the resulting price increases on the U.S. is inevitably a serious problem for us, and not just our allies. (U)

Consistent with U.S. policy as stated above, in our discussions with other countries, we should seek to obtain commitments to appropriate policies which include, but are not limited to: coordinated stock behavior (bearing in mind the need for flexibility of decision at the time of the disruption), an effective public information strategy to calm the market and other means to reduce their demand on world oil markets. In all circumstances we should encourage the major consuming countries to increase stocks prior to a crisis, encourage the expansion of our allies strategic oil and gas stocks as the best means of dealing with a supply disruption, and explore appropriate incentives within the IEA/OECD for other countries to engage in pre-crisis stock building and stock draws when a crisis occurs. (S)

Because less disruptive alternatives should be utilized first, we should seek to postpone implementation of the IEA emergency sharing system for as long as possible. If activation of the IEA allocation program is required, the U.S. will stand behind its commitment to the International Energy Program. (S)

III. Further Work

Because domestic oil production is the most secure and best means of enhancing U.S. supplies in a shortfall, I direct the

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Secretary of Energy to conduct a thorough assessment of short-term domestic supply measures, including further research into the question of spare crude oil productive capacity in the United States, including the possibility of increasing the flow of Alaskan oil southward. (S)

Ronald Reagan

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